

# STATE OF INDIANA

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## MEMORANDUM

TO: County Assessors and County Auditors

FROM: Cheryl A.W. Musgrave, Commissioner *CWM*

DATE: March 31, 2008

SUBJECT: Inventory -- Exempt as of January 1, 2008

1. The purpose of this memorandum is to inform assessing officials of the changes to the assessment and taxation of inventory recently signed into law by Governor Daniels. House Enrolled Act (HEA) 1001, signed by Governor Daniels on March 19, 2008, made significant changes to inventory and eliminated it from the definition of "personal property." Thus, effective immediately, inventory is not required to be reported on the Forms 102, 103 and/or 104. These changes to inventory, as discussed below, are **retroactive and effective as of January 1, 2008.**

a. HEA 1001, Section 47 added a new section to the Indiana Code (IC). IC 6-1.1-1-8.4 defines "inventory" as: (1) materials held for processing or for use in production; (2) finished or partially finished goods of a manufacturer or processor; and (3) property held for sale in the ordinary course of trade or business. The term includes items that qualify as inventory under 50 IAC 4.2-5-1 (as effective December 31, 2008).

b. HEA 1001, Section 48 amended IC 6-1.1-1-11 to specify that "personal property does not include...Inventory."

c. HEA 1001, Section 50 amended IC 6-1.1-2-7 to add "inventory" as a category not subject to assessment and taxation under article 6-1.1 of the Indiana Code.

d. HEA 1001, Section 800 repealed several sections of Indiana Code, all effective as of January 1, 2008, pertaining to inventory:

(1) IC 6-1.1-3-11, -12, and -13, defined "inventory" and discussed methods of valuation of inventory as personal property.

(2) Exemptions from property taxation statutes, such as IC 6-1.1-10-29 (Manufacturer's or processor's property stored in instate warehouse for shipment to out-of-state destination); IC 6-1.1-10-29.3 (personal property shipped into state for transshipment out of state); IC 6-1.1-10-29.5 (property in original package in public warehouse for transshipment owned by nonresident

or transported by carrier); IC 6-1.1-10-30 (property in original package in warehouse for transshipment); IC 6-1.1-10-30.5 (property held in foreign trade zone); IC 6-1.1-10-31.1 (nonresidents; personal property shipped into state for transshipment out; claiming exemptions) were all repealed.

(3) Additionally, other exemptions from property taxations found in IC 6-1.1-10-31.4 (exemption for truck chassis owned by a nonresident motor vehicle dealer that is not a motor vehicle manufacturer and not held by resident for resale); IC 6-1.1-10-31.5 (passenger motor vehicles owned by a nonresident motor vehicle dealer that is not a motor vehicle manufacturer and not held by the resident for resale); IC 6-1.1-10-31.6 (school bus body and chassis not owned by the same person and not held by the resident for resale or for shipment within Indiana); IC 6-1.1-10-31.7 (procedure by which to claim exemption for sections 31.4, 31.5, or 31.6 by filing a personal property tax return); IC 6-1.1-10-40 (commodity that is located or stored in a regular warehouse or regular shipping plant); IC 6-1.1-10-43 (inventory owned by an out-of-state dealer and located in Indiana for sale on the wholesale automobile market) were all repealed.

(4) Lastly, IC 6-1.1-10.1 (high impact business designation; included definition of "inventory"); IC 6-1.1-20.7 (credit for increases in inventory located on industrial recovery sites); IC 6-1.1-20.8 (enterprise zone inventory credit); IC 6-1.1-40-3 (definition of inventory from maritime opportunity districts) were also repealed.

2. As a result of these changes to HEA 1001, effective immediately, inventory is not required to be reported as "personal property" on the Forms 102, 103, and/or 104. If you have any questions, please contact your assessment field representative or J. Barry Wood, Assessment Division Director at (317) 232-3773, or [bwood@dlgf.in.gov](mailto:bwood@dlgf.in.gov).